

THE MEMORANDUM ON ECONOMIC POLICY: Six Points of Opposition; Six Alternative Conditions

We, cause-oriented organizations, groups and individuals come together to oppose the Memorandum on Economic Policy (MEP) submitted by the Philippine government to the IMF- more commonly known as the Letter of Intent (LOI).

We believe the MEP reflects the basic philosophy and strategy adopted by the present government on the resolution of the debt program inherited from the deposed Marcos dictatorship. We seriously question the logic, wisdom and morality of this philosophy and strategy which uncritically accepts the validity of these inherited obligations and assumes complete responsibility for them. We vehemently object to this most recent agreement with the IMF which has been designed to ensure foreign debt repayment at the expense of the majority of the poor Filipinos who have always disproportionately shouldered the burden of IMF-imposed austerity policies.

We raise in particular six main points of opposition:

1. Contrary to the constitutional provision concerning transparency in government action and consultation in the process of decision-making, the MEP was negotiated, formulated and adopted with only a small group of officials working under the steady guidance of IMF officials- fully participant in the crucial stages. It was never subjected to a democratic and consultative process. Discussions virtually excluded not only non-governmental organizations, political parties and people's movements but also important government bodies such as the NEDA and the elected representatives of the people, especially the Senate, which is constitutionally mandated to approve or disapprove international treaties.

2. The MEP is committed to a price increase in the country's most basic foodstuff- RICE. Other commitments will almost certainly raise the prices of other basic items, including water and power. Such increases are unacceptable in a society where 60% of the population remain poor.

3. By 1990, there is a good chance that the government will have to raise existing taxes or levy new ones, if it cannot meet targetted revenues. The Philippine tax system has been historically regressive in character. Unless past trends are truly reserved, such tax increases will be borne by the poor.

4. There is a clear inconsistency between the government's commitment to reduce the public sector deficit and its avowed goal of poverty alleviation and employment generation. We fear that the likely reductions in government spending will render the government's social equity pronouncements in the Medium-Term Development Plan and in the MEP itself as mere lip service.

5. The program commits the Filipino people to continue making massive debt service payments over \$3 billion annually from 1989 to 1992. Even with a nebulous Philippine Assistance Plan (PAP) of \$2 billion a year, the Filipino people will continue to pay a reverse "Marshall Plan" to the rich creditors of the west and Japan.

6. The MEP glosses over the structural reasons for the country's dependence on foreign funds. It reinforces a development strategy that relies heavily on the generation of foreign exchange whether through exports, foreign investments, loans or aid. Such a strategy precisely by-passes the need to develop the domestic market and to create vibrant local industries. This leads to a form of development whose benefits are restricted to a few.

We believe that when the Philippine government enters into any agreement with the IMF or with any other foreign party or institution, it must bear the true interests and sovereign will of the Filipino people. Formulating the country's debt policy is a process that should include popular organizations, local government officials including those of autonomous regions, the National Economic and Development Authority (NEDA), members of Congress and political parties both in power and in opposition. The design of such national debt policy must necessarily involve the length and breadth of opinion and genius in the Philippines.

We propose the following people's conditionalities as minimum parameters of an alternative debt policy:

1. Stabilize the prices of rice and other basic commodities including power, water and other utility rates through the provision of adequate government subsidies, the promotion of greater administrative efficiency and the restriction of private monopoly power.

2. Increase the wages of the Filipino worker to cope with inflation generated by the economic recovery of the past three years and to meet the threshold for basic needs.

3. Reform the Philippine tax system so that the bulk of tax collection should come from direct taxes on property, income and wealth. Real estate values should be re-assessed to reflect existing market prices and to increase real estate tax collection. Taxes on petroleum products should be reduced to cushion the inflationary impact of a projected increase in international crude oil prices. Special corporate income taxes should be levied on monopolies such as the PLDT, MERALCO and others. Even indirect taxes can be made less regressive via a shift to a multiple rate system from the present single rate system. Such tax reforms will go a long way towards making the tax system more progressive and thus more biased in favor of the lower income population.

4. Reduce government spending on debt service and national defense and use savings for agrarian reform, urban land reform, industrial development, job creation, human resource training, the upgrading of government salaries and the improvement of educational, health, cultural and sports facilities for the general public. Such a shift implies a change in priorities- a restructuring of the budget towards more socially-oriented expenditures.

5. Retool domestic economic activity to meet our people's basic needs while retaining viable export industries which could contribute to raising additional finances for our requirements. The strategic objective is the implementation of genuine agrarian reform and the promotion of nationalist industrialization under the framework of industrial democracy to be able to develop a vigorous domestic market and fully-processed export products which can earn the highest values in the world market. Economic development should be protective and promotive of the environment and the country's natural resources as well as the interests and needs of the future generations of Filipinos.

6. Reverse the foreign exchange outflow from the Philippines through the reduction of annual debt service payments, selective debt disengagement, the repeal of provisions for automatic debt service appropriation, and other mechanisms that could be set up through negotiations, litigation, popular political pressure and an appeal to enlightened world opinion.

We stand united on these points of opposition to the MEP and on these conditions for an alternative Philippine debt policy. We call on our fellow Filipinos to join us on this issue which concerns all sectors of our society. We also call on citizens from other countries, particularly those who are similarly situated, to join us in the larger struggle for a just global order. For it is only through our active vigilance and our united and creative intervention that our common interests shall be fully upheld.

FREEDOM FROM DEBT COALITION-CAMPAIGN AGAINST THE LOI

(FDC-CALOI)

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